

THE RUSSIAN IN THE GARAGE: Russia's True Futur(ists)

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They're not always easy to find. For the most part, they don't appear in the daily media, but there is a discernible whirr in the air in their workplaces. They are the innovators and entrepreneurs of Russia, oftentimes staying out of the spotlight so that they can meet "their quarter" and their clients' expectations – all the while ducking the high politics, and at times senseless and punitive bureaucracy. Yes, for a buck- but for a goal much greater: creating a truly new Russia. They are the "Russians in the garage"- working tirelessly, witnessing an entrepreneurial spirit unimaginable by most, meanwhile seeking to grow their businesses and set a much higher standard for Russian corporate culture. All the while they are keenly aware of the dangers to their brainpower and businesses that lurk outside the garage door.

How will Russia perform economically over the medium to long term? In what areas will it excel and where will it take a back seat to other major economies over the next 5, 10, 15 years? It goes without saying in a large country, especially as unpredictable as Russia, nobody knows the real answers until all is said and done and history overtakes us. If for a moment we put one lesser-known industry sector under the microscope, it could give us important clues not only to where Russia may be headed and where its new competitive advantage may lie, but also to a new thinking seldom recognized in the West.

Many of them are better known: IBS, Jet Info Systems, IT, Spirit Corporation, Paragraph, Moscow Center for SPARC Technology, but there are thousands like them, hiding away in "garages" all around Russia, building ideas, concepts - all the while keen to protect their own work from the same, well-publicized concerns which Western businesses have about business in Russia.

History is Vital - But it is History: Much of the press and academic coverage of Russia has chosen to focus on the present and the past of Russia. Doing so, beyond a doubt, we unearth nothing more than references to old industry relationships which refuse to die, bad debts, ill-transparent, often corrupt corporate structures, accounting records which make little sense (even when converted to IAS or GAAP standards). The leaders in these industries are often backwards looking, often clawing to keep what they know they will inevitably lose. Focusing on the past is critical to understand the present state of Russia's economy and business climate, but it is often limited in being able to predict some of the quickly emerging trends.

Innovation and Entrepreneurship: Russian businesses are characterized by their 'survivalist' instincts and tendencies. Innovation and entrepreneurship, you say? How is that possible? Companies like Cybiko, an Illinois-based firm with Russian-American roots, sports a device by the same name and aims to put a PDA-like/GameBoyLike/Wireless device into the hands of our next generation- and they are well on the way by putting these \$99 devices in stores about us, including at Best Buy and CompUSA. Critical observers have noted a significant difference between Russian and Indian Information Technology (IT) professionals: Indian programmers do a wonderful job with the job given them, whereby Russian programmers routinely exceed specifications because "they enjoy it." Programmers and managers in the IT sector, on the average, shred the notion of "perform to task" on countless opportunities greatly exceeding the expectations of their customers. For the first time, Russian owned and operated companies like Kaspersky Laboratories (the largest anti-virus software firm in Russia, with significant market share in Western Europe) are fully developing and executing on

THE RUSSIAN IN THE GARAGE: Russia's True Futur(ists)

Continued from page 1

business concepts and product-ideas in a remarkably consistent fashion.

Show Me the Money? NO! Show Me the Performance. We've all grown accustomed to Russian managers - misguided perhaps - asking for money when they possess dubious track records, without expecting active Western management participation in managing their investment. Actors in the IT field don't ask their partners to take leaps of faith, where the results – if ever – will be visible over a matter of years with a vague promise of performance. Anatoliy Karachinsky, the founder of Russian IT powerhouse IBS, said to potential American investor and IT visionary Esther Dyson of EDventure “I can't let you invest in my firm without having a better track record behind me” (paraphrased). Here, albeit in its infancy, an attitude is peering through which puts established track records and accomplishments where they ought to be, prior to any serious discussions with Western partners and investors.

Vision: The West has often dictated much of what path Russia has traveled and the decisions Russian leaders have taken. Meanwhile, we all know our Russian colleagues to be deep thinkers. Given this, how many of us recognize the 2015 Club? This “club” includes some of the most influential and accomplished of Russia's emerging cadre of business leaders – many of which work for Russia's leading firms and Western firms (for example, Olga Dergunova, Regional Director for the CIS for Microsoft amongst 25 others). Amidst the gloom and doom, it's shocking to see how few of those with whom I speak have heard of the Club. Less even are those who really listen to its message and take it seriously. On the list of members you see some recognizable organizations- but at first you might miss one common denominator – Club 2015 is founded by Russians themselves and they constitute all shapes and sizes and the movers and shakers from Russian industry who are mapping out the type of standards they want set for their own society in terms of laws, ethics, societal norms, business practices. Oh yes, they also approach what most in America find acceptable and exemplary. (www.club2015.ru)

All that Education – But To What End? It is accepted wisdom that Russian literacy ranks amongst the most literate nations. Neither is it a state secret that world class Russian basic research has had difficult time finding a home in the commercial marketplace. A recent *Business Week* survey ranked Russia in second place in advanced science and number three worldwide in advanced mathematics. So where has Russia's brainpower led it?

With the emergence of a *new class of thinking* first manifesting itself in the computer sciences arena (to an extent also within the aerospace/aviation arena), we can expect great things. If you follow the commonly accepted axiom that “in order to see a firm's potential one should first look at a firm's management,” you don't have to look far to realize why certain professionals are in senior positions within many of these emerging IT firms.

Despite being kept from the very best of what the West had to offer in terms of technology, the median Russian programmer has the equivalent of a Masters degree, whereas their American counterparts often have high school training or a Bachelor's degree. As opposed to other quadrants of the Russian educational system, which are pleading just for the basic resources to keep the learning flowing, the marketplace's realization of this cadre's potential has meant the establishment of fresh institutes, post-graduate programs that previously did not exist. The business leaders that then emerge in this sector are not political “hacks,” but are individuals with rigorous scientific credentials and a keen awareness and appreciation for how to execute on their concepts in the commercial marketplace.

The Russian Government - A Passive Supporter: None of the Russian IT businesspeople whom I know have ever thought of the Government as a source of capital or subsidies. These businesses are driven by internal Russian revenues

THE RUSSIAN IN THE GARAGE: Russia's True Futur(ists)

Continued from page 2

and revenues generated by a wide variety of Western partners and clients - and yes, their dollars are green. However, virtually all of them feel that less Government involvement in the technical and regulatory aspects of their businesses is an advantage. If you contrast IT developments and accomplishments in Russia with that of much larger China, the differences are striking. Most of these same businesses feel that the Russian Government has been a passive supporter of their plans, which is the optimal role most IT professionals feel is proper to allow their businesses the stability and predictability to grow, in most cases, exponentially.

Departure from Russia? Perhaps, but only for the moment. Some have chosen to incorporate in the U.S., but let that be mistaken for the lack of love from their homeland. The physical departure from *Rodina* is pragmatic and, above all, temporary. In many cases it is a simple move to be closer to their customers and to be able to enter into predictable and well-performing business relationships. As confidence and economic security, especially for small and medium-sized Russian and foreign business, returns, so will they.

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